

## Message Text

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12

ACTION EA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 AID-20 COME-00 EB-11 FRB-02 TRSE-00 XMB-07

OPIC-12 CIEP-02 OMB-01 DRC-01 /145 W

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R 160344Z MAR 74

FM AMEMBASSY SEOUL

TO SECSTATE WASHDC 2899

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EO 11652 NA

TAGS: EGEN, IBRD, KS

SUBJECT: CONSULTATIVE GROUP MEETING FOR KOREA

REF SEOUL A-36

SUMMARY: KOREAN DELEGATION WILL EXPRESS CONFIDENCE THAT 1974 DIFFICULTIES CAN BE OVERCOME AND 1981 PLANS ACHIEVED THROUGH CAREFUL, FLEXIBLE MANAGEMENT, WHILE AGREEING WITH IBRD THAT MORE FOREIGN FINANCING WILL BE REQUIRED. IBRD REPORT SEEMS REASONABLE EXCEPT FOR OVERESTIMATION OF LOAN AND FOREIGN EXCHANGE RESERVE REQUIREMENTS IN 1977.

1. KOREAN DELEGATION OF ABOUT 15 MEMBERS WILL BE HEADED BY DEPUTY PRIME MINISTER, TAE WAN-SON. TAE AND MAJORITY MEMBERS LEFT MARCH 15 FOR BONN, BRUSSELS, LONDON, AND PARIS TO EXPLAIN HEAVY INDUSTRY PLANS AND FOREIGN INVESTMENT AND LOAN NEEDS TO GOVERNMENT AND BUSINESS CIRCLES.

2. ACCORDING TO PRELIMINARY DRAFT, DPM'S SPEECH TO MARCH 26-27 CG WILL EMPHASIZE VARIOUS AUSTERITY AND STABILIZATION MEASURES TAKEN TO CUSHION IMPACT OF LIMITED OFFICIAL USE

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OIL CRISIS AND INFLATION. SPEECH WILL IGNORE

RECOMMENDATION IN IBRD REPORT FOR LARGER INCREASE IN GROSS FOREIGN EXCHANGE REVENUES IN 1974 AND WILL EXPRESS CONFIDENCE THAT BOP DIFFICULTIES CAN BE OVERCOME BY CAREFUL BUT FLEXIBLE FOREIGN RESOURCES MANAGEMENT. SPEECH WILL OUTLINE 1973-81 PLANS AND ACKNOWLEDGE THAT MORE RAPID INFLATION WILL RAISE IMPORT BILL BY 30-50 PERCENT AND INCREASE TOTAL NEED FOR FOREIGN CAPITAL INFLOW FROM DOLS 10 BILLION TO DOLS 14-15 BILLION. DEBT SERVICE RATIO (ON LONG-TERM DEBT PLUS PROFIT REMITTANCES) IN 1981 WOULD INCREASE FROM 8.8 TO 11.4 PERCENT BUT THIS SEEN AS MANAGEABLE IF MIX OF PUBLIC/PRIVATE CAPITAL CONTINUES. ONLY VERY GENERAL REQUEST FOR MORE CAPITAL MADE TO CG MEMBERS. NO MENTION IN DRAFT OF POSSIBLE NEW AID, CREDIT OR INVESTMENT SOURCES.

3. EMBASSY COMMENTS ON IBRD REPORT: REPORT APPEARS GENERALLY SOUND AND CONTAINS MUCH GOOD ANALYSIS. AGREE WITH COMMENT THAT SHIFT TO HEAVY INDUSTRY EXPORTS MAY BE PREMATURE IN VIEW LIGHT INDUSTRY EXPORT POTENTIAL. AGREE ALSO THAT HEAVY INDUSTRY FOREIGN FINANCING NEEDS HAVE BEEN UNDERESTIMATED BUT FEEL THAT ESTIMATED REQUIREMENT OF NEARLY DOLS 1.9 BILLION IN FOREIGN LOAN ARRIVALS IN 1977 (PAGE 50) IS EXAGGERATED IN VIEW OF POSSIBILITIES TO FOREGO (A) WEAKER HEAVY INDUSTRY PROJECTS CRITICIZED ELSEWHERE IN REPORT AND (B) RECOMMENDED INCREASE IN RATIO OF EXCHANGE RESERVES TO IMPORT PAYMENTS. ANNUAL AVERAGE OF ABOUT DOLS 1.5 BILLION FOR LOAN COMMITMENTS IN 1974 AND 1975 (AS RECOMMENDED BY IBRD) AND FOR LOAN EXPENDITURES IN 1976 AND 1977 WOULD SEEM MORE REASONABLE. ROKG IS SEEKING APPROXIMATELY DOLS 1.5 BILLION IN LONG-TERM LOAN COMMITMENTS IN 1974: DOLS 500 MILLION PUBLIC, DOLS 800-900 MILLION COMMERCIAL, AND ROUGHLY DOLS 150 MILLION IN NEW BANK BORROWING. LATTER BORROWING IS NOW ON 5-10 YEAR BASIS BUT IS STILL TREATED AS SHORT-TERM CAPITAL IN BOP. SINCE NET ARRIVALS UNDER SUCH LONG-TERM BANK LOANS IN 1974 ARE ESTIMATED AT ABOUT DOLS 150 MILLION, PLANNED LIMITED OFFICIAL USE

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SHORT-TERM AND TRADE CREDIT BORROWING IS NOT THE DOLS 400 MILLION WHICH BOTH ROKG TABLES (SEE REFAIR) AND IBRD TEXT (PAGE 37) INDICATE, BUT RATHER ONLY ABOUT THE DOLS 250 MILLION RECOMMENDED BY THE IBRD. DEBT FIGURES IN BANK REPORT (PAGE 28) ALSO EXCLUDE BANK LOANS AND MEDIUM-TERM TRADE CREDITS. THEIR INCLUSION YIELDS HIGHER DEBT SERVICE RATIOS OF 17.9 AND 14.0 FOR 1972-73 AND ESTIMATE OF

12.3 FOR 1974.

DECONTROL FOLLOWING MARCH 15, 1975.

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## Message Attributes

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**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ACCOUNTS, TRADE BALANCE, PRIME MINISTER, BALANCE OF PAYMENTS DATA, FOREIGN ASSISTANCE, MEETINGS, DEVELOPMENT BANKS, DEBT REPAYMENTS, FOREIGN EXCHANGE HOLDINGS, MEETING DELEGATIONS, SPEECHES, HEAD OF GOVERNMENT VISITS  
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